



# INCENTIVES :



ACP-EU Energy Facility Seminar  
Nairobi  
23-24<sup>th</sup> March 2011



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## Background of GVEP International

- International NGO registered in the UK whose mission is to enhance access to energy in developing economies through energy entrepreneurship
- Focus on: Medium, Small and Micro energy enterprises
- Technology and vendor neutral
- Operations: Africa and Latin America
- Implementing EU/DGIS funded DEEP EA Project



Energy  
businesses  
supported by  
DEEP EA being  
displayed in an  
exhibition

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## Main Energy Technologies

- Energy businesses supported are demand driven
- Key ones include the following:
  - Improved charcoal Stoves: 344 (48%)
  - Solar based technologies 158 (22.1%)
  - Briquettes 135 (18.9%)
  - Others 78 (11%)

## Results

- 1266 have received business and technology training.
- 715 are in the DEEP EA programme
- 633 entrepreneurs are matched with mentors
- 100 are in the process of being linked to financing through a loan guarantee model
- Over 200 business plans completed

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## Challenges being addressed by DEEP EA

- Poor quality products – e.g. ICS, briquettes
- Lack of product standards
- Disjointed operations – none or very weak value chain, weakening commercialisation
- Lack of entrepreneurship skills
- Lack of technical skills
- Lack of proper tools for production
- Lack of affordable financing

## Incentives

- Linkage to Financing for DEEP EA entrepreneurs
- Training – technology and Business
- Mentorship
- Networking opportunities

## Linkage to financing

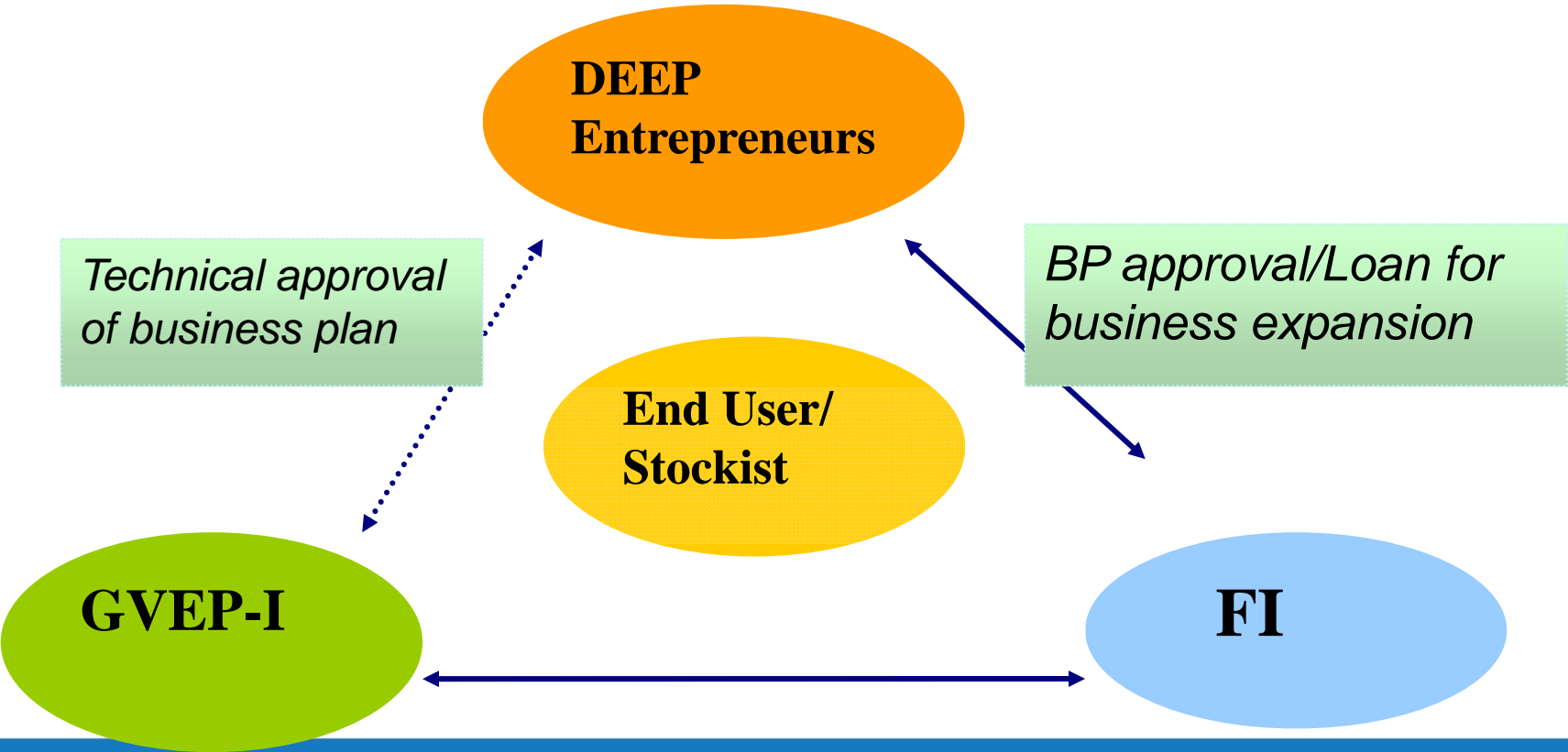
Two main models for linkage to financing have been used:

- Financial Institution Model
- Dealer model



# Financial linkages with FI model-

GVEP-I Loan Guarantee > Bank > MSME (DEEP)



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## Case study- Western Kenya



- Using this model- GVEP-I identified a group of 19 DEEP entrepreneurs from a specific region who were grouped prior to joining DEEP.
- Linked them to the KCB bank in the small town of Ranen
- Loans given out in tranche system (First 5, if good repayment, 2<sup>nd</sup> five... etc.)
- Average loan size for 5 entrepreneurs was 46,000 Kshs (418 Euros)
- Most entrepreneurs used the loans to increase stock, while one entrepreneur who defaulted diverted the loan to meet other social needs

## Case study – Western Kenya

- From the first 5 one defaulted on 3 payment installments, other loans stopped
- The defaulted caused a break up of group cohesion
- Findings reveal that entrepreneurs want to access financing as individuals and not using the group as a channel to access individual loans.
- Going forward, members who want loan will apply as individuals
- If they know about the guarantee, they start defaulting

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## Case study- DEEP EA entrepreneurs in Uganda



- Entrepreneurs were linked to a SACCO in Luwero region
- GVEP-I placed a loan guarantee with the SACCO- MOU was for a partial guarantee of 50%, the SACCO takes care of 50% of the risk, the entrepreneur provides a guarantor who is known to the SACCO.
- Loan issued to entrepreneurs in tranche system- a total of 3,320 Euros disbursed to first five in September 2010
- No defaults to date

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## Case study- DEEP EA entrepreneurs in Uganda

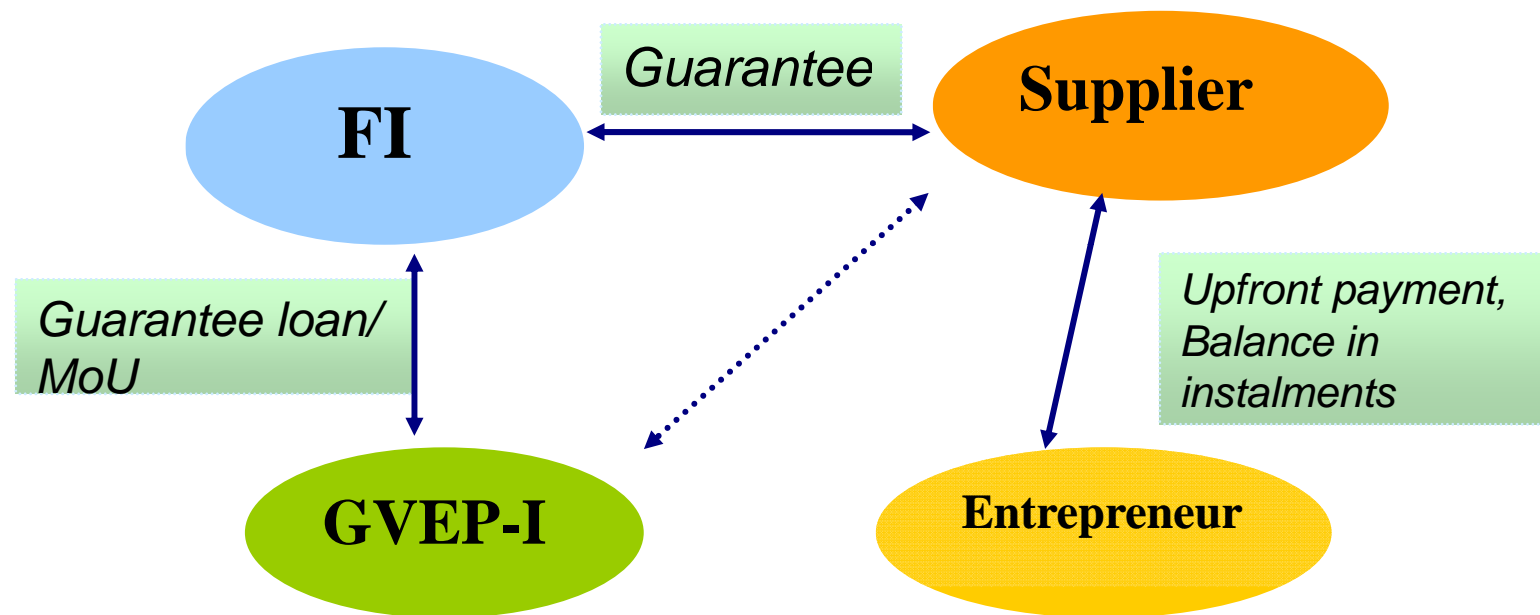
- The model is working well
- All entrepreneurs used the loans to expand their businesses
- As a result of GVEP-I loan guarantee the SACCO has started its own energy consumer lending portfolio and has allocated 50,000,000 UGX, (4,340 Euro)

## Other financing models

We are planning to use the dealer financing model where DEEP entrepreneurs are linked directly to energy suppliers, GVEP-I guarantees the supplier. This is based on our experience with other programmes.

# Dealer Model

GVEP/FI/Supplier/DEEP entrepreneur



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## Lessons learnt



- Even big financial institutions can get involved
- Financial institution has to have a long term interest in the approach and the region
- Do not start with the group leaders
- Group cohesion can be compromised depending on the approach
- Information to the beneficiaries regarding the guarantee should be limited – they must see it as a normal loan, save for the favourable terms



Thank you all for your attention

